

DEPARTMENT OF FINANCIAL INSTITUTIONS
MINUTES OF MEETING
FEBRUARY 8, 2001

The Members of the Department of Financial Institutions met at 9:00 a.m., EST, at 402 West Washington Street, Room W-066, Indianapolis, Indiana, on Thursday, February 8, 2001. Members present were Norman L. Lowery, Chairman; Tony Zaleski, David D. Baer, Loretta M. Burd and James L. Saner. Also present from the Department were Charles W. Phillips, Director; J. Philip Goddard, Chief Counsel, Deputy Director, Non-Depository Institutions and Secretary; James M. Cooper, Deputy Director, Depository Division; Kirk J. Schreiber, Senior Bank Analyst; Gina R. Williams, Senior Bank Analyst; Mark K. Powell, Supervisor, Credit Union Division, Mark Tarpey, Division Supervisor, Consumer Credit Division; Chuck T. Stumpf, Deputy Director, Administration Division; Chris McKay, Legal Assistant and Ronda Bailey, Administrative Secretary. Mr. Bill Petter, Vice Chairman of Republic Bancorp, Inc. and Executive Vice President of Republic Bank & Trust Company, Louisville, Kentucky was also present. Members Gary M. Smith and Ronald E. Depasse were absent.

I. PUBLIC SESSION

- A.) Attendance
- B.) Date of next meeting: March 8, 2001 @ 9:00 a.m.
- C.) A motion was made for approval of the minutes of the meeting held January 11, 2001 by Mr. Zaleski and was seconded by Ms. Loretta Burd. **The minutes were unanimously approved.**

DIVISION OF BANK AND TRUST COMPANIES

- 1.) **Republic Bank & Trust Company, Clarksville, Clark County, Indiana and**
- 2.) **Republic Bancorp, Inc., Louisville, Jefferson County, Kentucky**

Because these applications are inter related, Ms. Gina Williams, Senior Bank Analyst, presented them concurrently but asked the Members to vote on them separately. Ms. Williams introduced Bill Petter, Vice Chairman of Republic Bancorp, Inc. ("Bancorp") and Executive Vice President of Republic Bank & Trust Company, Louisville, Kentucky ("Republic Bank"). Mr. Petter is also a proposed director of Republic Bank & Trust Company of Indiana.

Ms. Williams informed the Members that an application for a state chartered commercial bank to be known as Republic Bank & Trust Company of Indiana (the "Bank") had been submitted to the Department for approval. The Bank will be headquartered in Clarksville, Indiana. The Bank's primary trade area will focus on Clark County but will also extend throughout Floyd County.

The Bank is being formed as a wholly owned subsidiary of Bancorp. As of September 30, 2000, Bancorp had consolidated total assets of \$1.5 billion. Since August 1999, Republic Bank has operated a loan production office at the proposed site of the Bank's main office.

The Bank's proposed corporate mission is to make all of the financial services currently available in Kentucky more readily available to the residents of Clark and Floyd counties. Bancorp considers Clark County an integral part of the Louisville area in terms of location, needs of the community, and demographics.

Bancorp has informed the Department that as soon as it is legally permissible, the Bank will be merged into Republic Bank. Pursuant to IC 28-2-17-20.1, the merger cannot occur until the Bank has been in existence for at least five years. Until then, the Bank will operate autonomously but will be supported by the management, systems, accounting, and general infrastructure of Bancorp and Republic Bank.

Ms. Williams went through each of the approval factors for the formation of a bank.

Factor #1 The financial standing and character of the incorporators, organizers, directors, principal shareholders, and controlling corporation.

The individual financial statements and biographical backgrounds of each of these individuals were reviewed and no unfavorable items were noted.

The Federal Reserve Bank of St. Louis conducted a full scope inspection of Bancorp as of June 30, 2000. The financial condition of the consolidated organization was considered satisfactory while asset quality and capital protection was considered strong.

Ms. Williams informed the Members that Bancorp's Class A Common Stock is traded on the NASDAQ Stock Market under the symbol RBCAA. As of September 30, 2000, total assets on a consolidated basis were \$1.5 billion and total equity capital was \$112 million.

The financial standing and character of each incorporator, organizer, directors, and controlling corporation is considered acceptable

Factor #2 The character, qualifications, and experience of the officers and directors of the proposed financial institution.

Anthony Brandon will serve as President and Director. Mr. Brandon joined Republic Bank in 1997. He is currently an Assistant Vice President in the lending area.

Bernard Trager, Steven Trager, Bill Petter, and Kevin Sipes will serve as Directors. Bernard and Steven Trager collectively own a controlling interest in Bancorp. The four individuals

serve in various leadership capacities in the Bancorp organization and have extensive backgrounds in the banking industry. The directors are well known and established in the community.

The character, qualifications, and experience of the officers and directors of the proposed financial institution are considered acceptable.

Factor #3 The future earnings prospects for the proposed financial institution in the community in which the financial institution is to be established.

Ms. Williams informed the Members that the pro forma balance sheet and income projections submitted with the application were included in their outline. The projections were prepared by Kevin Sipes based on assumptions and experience of Republic Bank. It is assumed that the Bank will offer the same products and face the same competition as Republic Bank. The projections appear reasonable based on the assumptions utilized and the proposed marketing plan of the Bank.

Factor #4 The adequacy of the financial institution's proposed capital.

The proposed capital of the Bank, as detailed on page 5 of the outline, is considered adequate. The Bank will begin operations with \$5 million in capital.

The FDIC Statement of Policy and Application for Deposit Insurance states a new depository institution should have sufficient initial capital to provide a Tier 1 capital to total estimated assets ratio of at least 8% at the end of the 3rd year.

The pro forma financial information projects the Bank's Tier 1 capital ratio to estimated total assets will be 8.92% at the end of the third year.

Ruth Ellen Cetto of the Federal Deposit Insurance Corporation expects approval of the deposit insurance application no later than February 20, 2001.

Pro forma consolidated financial statements as of December 31, 2000 reflect a Tier 1 leverage Capital ratio of 8.20% for Bancorp. Bancorp will not incur any debt as a result of the acquisition of the Bank.

The Federal Reserve Bank of St. Louis approved the acquisition of the Bank by Bancorp on February 1, 2001, subject to the approval of the Members of the formation of the Bank.

Ms. Williams informed the Members that Republic Bank received a Satisfactory rating when last examined for compliance with the Community Reinvestment Act and there were no negative

comments received by the Department or the Federal Reserve concerning the acquisition of the Bank by Bancorp.

It is the opinion of the staff that Republic Bancorp has satisfactorily met the requirements for a foreign bank holding company to acquire an Indiana chartered bank.

Based on the findings of the investigation by the Department, the staff recommends approval of the formation of a state-chartered commercial bank to be known as Republic Bank & Trust Company of Indiana headquartered in Clarksville, Indiana subject to the following conditions:

1. The Bank has, prior to opening, a minimum paid-in capital of \$5 Million.
2. During the first three years of operation the Bank maintain no less than an eight percent (8%) tier 1 capital ratio.
3. The Bank shall operate within the parameters of the submitted business plan. Any material changes from the submitted plan during the first three (3) years of organization shall require the prior written approval of the Director.
4. Any changes in proposed officers or directors or proposed ownership in the first three (3) years of operation be approved by the Director.
5. The Bank will not pay any dividends to shareholder for a period of three (3) years without the prior written approval of the Director.
6. The Bank have an annual audit of its financial statements for each of its first three (3) years of operations. The audit must be conducted by a public accountant who has been approved by the Director. The Bank must furnish a copy of any reports by the independent auditor, including any management letters, and notify the Department when a change in its independent auditor occurs.
7. The Bank must be incorporated within six (6) months from the date of the Department's approval or the application is required to be refiled.
8. The Bank shall submit monthly financial statements to the Department of the Bank's operations including a statement of condition and statement of income until notified otherwise.

The staff of the Department also recommends approval of Republic Bancorp, Inc.'s request to acquire 100% of the common stock of Republic Bank & Trust Company of Indiana.

Ms. Burd asked what would be considered a material change to the Bank's business plan that

would require the Director's approval. Ms. Williams indicated it could be the Bank offering a new loan product that causes the projections to be significantly different. Director Phillips indicated that accountants use a 5% deviation or even less.

Mr. Zaliski asked Mr. Petter about Republic Bank's presence already in Clarksville. Mr. Petter reiterated that they have had a loan production office at this location since August 1999.

The Members first voted on the formation of Republic Bank & Trust Company of Indiana with the following votes taken for each of the Factors:

Factor #1 was voted upon with five favorable votes. There were no unfavorable votes. **Factor #1 was unanimously approved.**

Factor #2 was voted upon with five favorable votes. There were no unfavorable votes. **Factor #2 was unanimously approved.**

Factor #3 was voted upon with five favorable votes. There were no unfavorable votes. **Factor #3 was unanimously approved.**

Factor #4 was voted upon with five favorable votes. There were no unfavorable votes. **Factor #4 was unanimously approved.**

A motion for approval of the de novo application subject to the conditions was made by Ms. Burd and seconded by Mr. Baer. **The application was unanimously approved.**

The Members then voted on the application of Republic Bancorp, Inc. to acquire 100% of the common stock of Republic Bank & Trust Company of Indiana. A motion for approval of the application was made by Mr. Baer and seconded by Mr. Saner. **The application was unanimously approved.**

DIRECTOR'S COMMENTS AND REQUESTS

- A.) Phil Goddard gave an overview of HB 1705 that is pending in the legislature. HB 1705 is a bill drafted by the Department and addresses several regulatory issues.
- B.) Director Phillips will advise the Members of actions taken pursuant to Delegated Authority. Mr. Phillips asked for any questions or clarifications of the actions, which are as follows:

DIVISION OF BANK AND TRUST COMPANIES

- 1.) **THE FARMERS STATE BANK, LANESVILLE, HARRISON COUNTY, INDIANA**

The bank has applied to the Department for approval to establish a branch banking office to

be located at 2030 Highway 337 NW, Corydon, Harrison County, Indiana. The application was received on December 12, 2000, and the branch is to be known as The Farmers State Bank. The bank will lease approximately 2,000 square feet from an independent third party. The term of the lease is for ten years with two five year options and requires monthly installment payments of \$1,200.00 for the first year, \$1,500 for the second through the fifth year and \$1,650 for the remaining five years. The estimated cost for leasehold improvements is \$15M and furniture, fixtures, and equipment costs are expected to be \$150M. The bank's three-year average ROA is 1.13%. As of September 30, 2000, the bank's Tier 1 leverage capital ratio is 10.37%. The investment in total fixed assets to total capital will increase from 15.75% before the proposed branch to 18.08% after the investment in the branch. This will be the institution's third branch. **The Director approved this on January 16, 2001, under Delegated Authority.**

2.) **CITIZENS UNION BANCORP OF SHELBYVILLE, INC., SHELBYVILLE, SHELBY COUNTY, KENTUCKY**

An application has been filed for permission to establish an interim bank to be known as CUB Interim Bank. CUB Interim Bank will be a wholly owned subsidiary of Citizens Union Bancorp of Shelbyville, Inc., ("Citizens") Shelbyville, Kentucky. The interim bank will be located at 10525 N.W. Front Street, Dupont, Jefferson County, Indiana. The interim bank will never be operational and is being formed to facilitate the pending acquisition of Dupont State Bank, Dupont, Jefferson County, by Citizens through a merger of CUB Interim Bank with and into Dupont State Bank. As a result of the proposed merger, Citizens will acquire 100% of the issued and outstanding shares of Dupont State Bank. An application for the merger of CUB Interim Bank with and into Dupont State Bank as well as the application for Citizens to acquire 100% of Dupont State Bank has been submitted to the Department for approval. If approval for the merger of CUB Interim Bank and Dupont State Bank or the approval for Citizens to acquire Dupont State Bank as outlined in the applications is not obtained by the necessary regulatory authorities, Citizens will take the steps necessary to dissolve CUB Interim Bank. **The Director approved this on January 16, 2001, under Delegated Authority.**

3.) **UNION BANK & TRUST COMPANY, NORTH VERNON, JENNINGS COUNTY, INDIANA**

The bank has applied to the Department for approval to pay dividends in excess of what is permitted by IC 28-13-4-3. The bank's dividend request asks approval to pay a cash dividend of \$399,831 to its holding company, First Financial Bancorp, Hamilton, Ohio. First Financial Bancorp intends to use the proceeds for its regular quarterly dividend payment to its shareholders. As of September 30, 2000, the bank's Tier I leverage capital ratio is 8.82%. Proforma Tier 1 leverage to average assets is approximately 8.32% after the payment of the dividend. The bank's average three-year ROA is 2.55%. **The Director approved this on January 16, 2001, under Delegated Authority.**

4.) **CHASE MANHATTAN TRUST COMPANY, NATIONAL ASSOCIATION,
PITTSBURGH, ALLEGHENY COUNTY, PENNSYLVANIA**

A notification to establish a trust office was received from Chase Manhattan Trust Company, National Association, Pittsburgh, Allegheny County, Pennsylvania ("Chase Manhattan"). Chase Manhattan previously filed on September 29, 1999, an application to enable it to transact business through solicitation and referrals of affiliated registered representatives in the State of Indiana in accordance with the provisions of IC 28-1-22. On November 22, 2000, the Governor of Pennsylvania signed HB 2533 into effect which gives reciprocity of fiduciary powers between Pennsylvania law and IC 28-14-3-22. Chase Manhattan intends to expand its operations from what was previously approved, by providing corporate trust services in Indiana from an office that will be located at 11495 North Pennsylvania Avenue, Suite 201, Carmel, Indiana. CT Corporation System, One North Capital Avenue, Indianapolis, Marion County, Indiana, will continue to serve as resident agent for service of legal process. **A Certificate of Admission was issued by the Director on January 16, 2000, under Delegated Authority.**

DIVISION OF CREDIT UNIONS

1.) **FORUM CREDIT UNION, INDIANAPOLIS, MARION COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

TEKsystems – Indianapolis – 30 members (common bond of occupation as defined by 28-7-1-10)

Salon Studio's – Indianapolis – 4 members (common bond of occupation as defined by 28-7-1-10)

Applied Graphics Technologies – Indianapolis – 800 members (common bond of occupation as defined by 28-7-1-10)

Resources Now, Inc. – Greenwood – 1 member (common bond of occupation as defined by 28-7-1-10)

Fishers Pointe Cooperative Preschool – Fishers – 39 members (common bond of occupation as defined by 28-7-1-10)

Sturgis & Collins, LLP – Indianapolis – 5 members (common bond of occupation as defined by 28-7-1-10)

The Director approved this on January 23, 2001, under Delegated Authority.

2.) **NATCO CREDIT UNION, RICHMOND, WAYNE COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a

credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Textron Automotive Company – Morristown – 285 members (common bond of occupation as defined by 28-7-1-10)

The Director approved this on January 25, 2001, under Delegated Authority.

3.) **CENTRA CREDIT UNION, COLUMBUS, BARTHOLOMEW COUNTY, INDIANA**

The credit union has filed a request for approval of a Petition for Approval of a Proposed Amendment To the Articles of Incorporation. Pursuant to IC 28-7-1-10 (which allows a credit union to add one or more qualified groups to its field of membership) this amendment would place the following organizations into the field of membership of the credit union:

Savoir Fare, Inc. – Indianapolis – 100 members (common bond of occupation as defined by 28-7-1-10)

Mt. Vernon Community School Corporation – Indianapolis – 300 members (common bond of occupation as defined by 28-7-1-10)

Macmillan USA – Indianapolis – 700 members (common bond of occupation as defined by 28-7-1-10)

Blockbuster Video – Indianapolis – 13 members (common bond of occupation as defined by 28-7-1-10)

Partners In Business, Inc. – Carmel – 35 members (common bond of occupation as defined by 28-7-1-10)

Indiana Softwater SVC, Inc. d/b/a Culligan Water Conditioning – Indianapolis – 80 members (common bond of occupation as defined by 28-7-1-10)

Allpoints, Inc. – Sellersburg – 150 members (common bond of occupation as defined by 28-7-1-10)

Pro Stop Truck Service, Inc. – Sellersburg – 15 members (common bond of occupation as defined by 28-7-1-10)

Engineering Design & Inspection Services, Inc. – Indianapolis – 13 members (common bond of occupation as defined by 28-7-1-10)

Carmel Clay Public Library – Carmel – 140 members (common bond of occupation as defined by 28-7-1-10)

The Director approved this on January 31, 2001, under Delegated Authority.

CONSUMER CREDIT DIVISION

- 1.) First United MortgageBanc, Inc. is requesting a consumer loan license. Applicant is based in Clearwater FL. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies. They currently operate in Florida. Applicant is recommended for approval. **This was approved by the Director on January 19, 2001, under Delegated Authority.**
- 2.) Home Mortgage, Inc. d/b/a Home Mortgage Funding, Inc. is requesting a consumer loan license. Applicant is based in Chicago IL. They will be making second mortgage loans. They will not be servicing their loans. Loans will be closed by title companies. They currently operate in Illinois. Applicant is recommended for approval. **This was approved by the Director on January 19, 2001, under Delegated Authority.**
- 3.) Popular Financial Services, LLC is requesting a consumer loan license. Applicant is based in Marlton NJ. They will be making second mortgage loans. They will be servicing their loans. Loans will be closed by title companies. They currently operate in New Jersey. Applicant is recommended for approval. **This was approved by the Director on January 19, 2001, under Delegated Authority.**
- 4.) Transouth Financial Corporation is requesting a consumer loan license. Applicant is based in Fort Worth TX. Loans in Indiana will be made at a location in Indianapolis. They will be making auto loans. They will be servicing their loans. Loans will be made through the Internet or purchased from local dealers. They have been registered with DFI under this entity since 3/99 (ID #7643). They want a loan license to be able to make direct loans as well as purchase retail contracts from auto dealers. Applicant is recommended for approval. **This was approved by the Director on January 19, 2001, under Delegated Authority.**
- 5.) CMM of Indiana, LLC d/b/a Cash Tyme is requesting a check casher license. Applicant is based at New Albany. Licensee will have 13 branch locations in Indiana. They will be cashing all types of checks. References are satisfactory. The fee will be the statutory maximum or less. They currently have Loan License #1729. Applicant is recommended for approval. **This was approved by the Director on January 19, 2001, under Delegated Authority.**
- 6.) Dealer Motor Services is requesting approval as third party administrator for a Guaranteed Auto Protection (GAP) Program. Applicant is based in Ramsey NJ. The customer deductible is covered up to \$1,000, 60 day free-look. Rule of 78'ths refund upon prepayment in full. The maximum cost to the customer is \$420. There is a contractual liability policy issued by The Hartford Group. The initial dealer requesting approval is Stoops Buick. All future dealers will agree to abide by the same terms as those approved. Approval is subject to review at a future date

as deemed necessary by the Department. It is recommended that the program be approved as submitted and subject to the above conditions. This is provided for under IC 24-4.5-2-202 (1)(c). **This was approved by the Director on January 19, 2001, under Delegated Authority.**

- 7.) GAP Care/GMAC Insurance is requesting approval as third party administrator for a Guaranteed Auto Protection (GAP) Program. Applicant is based in Oak Park MI. The customer deductible is covered up to \$1,000, 30 day free-look. Rule of 78'ths refund upon prepayment in full. The maximum cost to the customer is \$420. There is a contractual liability policy issued by United Financial Casualty. The General Motors Acceptance Corp. as assignee from GM dealers is the initial creditor. All future GM dealers agree to comply with approved terms. Approval is subject to review at a future date as deemed necessary by the Department. It is recommended that the program be approved as submitted and subject to the above conditions. This is provided for under IC 24-4.5-2-202 (1)(c). **This was approved by the Director on January 19, 2001, under Delegated Authority.**

There being no further business to come before the Members, a motion to adjourn the meeting was made by Ms. Burd and seconded by Mr. Zaleski. The motion was unanimously approved.

APPROVED:

ATTEST:

Norman Lowery, Vice Chairman

J. Philip Goddard, Secretary